

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

It is the policy of RLDC to consider all relevant facts and circumstances regarding the relationship between RLDC and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between RLDC and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

Facts associated with each of these categories that will be considered by RLDC in making employee/contractor determinations shall include:

1. Behavioral control:
 - a. Instructions given by RLDC to the worker that indicate control over the worker (suggesting an employee relationship), such as:
 - (1) When and where to work
 - (2) What tools or equipment to use
 - (3) What workers to hire or to assist with the work
 - (4) Where to purchase supplies and services
 - (5) What work must be performed by a specified individual
 - (6) What order or sequence to follow
 - Training provided by RLDC to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training)
2. Financial control:
 - a. The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor)
 - b. The extent of the worker's investment in the facilities/assets used in performing services for RLDC (greater investment associated with contractors)
 - c. The extent to which the worker makes services available to the relevant market
 - d. How RLDC pays the worker (i.e. guaranteed regular wage for employees vs. flat fee paid to some contractors)

- e. The extent to which the worker can realize a profit or loss.
3. Type of Relationship:
- a. Written contracts describing the relationship that RLDC and the individual intend to create
 - b. Whether RLDC provides the worker with employee-type benefits, such as insurance, paid leave, etc.
 - c. The permanency of the relationship
 - d. The extent to which services performed by the worker are a key aspect of the regular business of RLDC

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from "compensation", based on hiring procedures on the RLDC New Hire Flow Chart, are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the RLDC personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

RLDC operates on a bi-weekly payroll. For all RLDC employees, a personnel file is established and maintained with current documentation, as described throughout this section and in RLDC's Personnel Manual.

The following forms, documents and information shall be obtained and included in the personnel files of all new employees:

1. Minutes of RLDC confirming appointment of employee
2. Job Description
3. Form W-4 Employee Federal Withholding Certificate
4. Form I-9 Employment Eligibility Verification (with backup)
5. Receipt of Policies and Procedures Manual
6. Where applicable, authorization for direct deposit of paycheck, along with a voided check or deposit slip
7. Performance Evaluation (if applicable)
8. Payroll Status Change Form (if applicable)

It is the policy of RLDC not to allow overtime.

Changes in Payroll Data

It is the policy of RLDC that all of the following changes in payroll data are to be submitted in writing on the Change To Employment Letter form and are placed in the employee's file.

1. Name/address change
2. Changes in hours, positions, salaries and pay rates
3. Voluntary payroll deductions
4. Changes in income-tax withholding status
5. Court-ordered payroll deductions
6. Incentives
7. Resignation, retirement and discharge

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee by submitting a new W-4 as well.

Changes to Payroll take effect on the payroll following submission of authorized changes.

Payroll Taxes

The Accounting Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Accounting Department may utilize the services of an outside payroll service center for the processing of payroll.

It is the policy of RLDC to obtain an updated Form W-4 from each employee when there is a change in status. Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Benefits Withholding

When an employee's benefits withholding is deducted, payment is made to the appropriate vendor as soon as the vendor's invoice is received. The bookkeeper attaches the payroll service center's monthly reports to the voucher and invoice - (see Page 39 for Preparation of Voucher Package).

Payroll Check Signing

Payroll checks are prepared by the payroll service with signature of Executive Director kept on file.

Review of Payroll

Upon receipt of payroll reports and checks from the payroll service center, the administrative assistant reviews payroll prior to its distribution to employees.

Distribution of Payroll

Payroll payments (or check stubs for electronic deposits) shall be distributed by individuals who are not responsible for hiring and firing, and do not control the preparation of payroll.